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GREATEST COMPANIES · RESEARCH SHEET · The Ecosystem Moat

Shopify

Arming the Rebels

NASDAQ/TSX: SHOP · E-Commerce Software · Founded 2006 (from Snowdevil, 2004) · Ottawa, Canada

Public · v1.0 · July 2026

In 2004, a young German programmer living in Ottawa tried to open an online store to sell snowboards, and discovered that the software to do it was terrible. Tobi Lütke built his own, using a then-new framework called Ruby on Rails. Other merchants, looking at his snowboard store, did not ask about the snowboards. They asked about the software. The tool was worth more than the business it was built to serve. In 2006 the founders relaunched the platform itself as Shopify, and set out to sell not snowboards but the ability to sell anything, betting against the great marketplace model on a simple premise: many merchants did not want to be tenants in someone else's empire, they wanted to own their own stores.

Key Facts

Founders	Tobi Lütke and Scott Lake
Sector	E-commerce software — storefronts, payments, merchant tools
Moat	Network effects and switching costs — profits only when merchants profit
The Bet	"Arm the rebels": give independent merchants the tools to own their stores, not rent space
The Pivot	2009 API and App Store launch turned a product into a platform
The Wrong Turn	A ~$2.1 billion push into logistics (Deliverr, 2022), reversed within a year
Status	Public (NASDAQ/TSX: SHOP)

By the Numbers

Went public in 2015 at $17 a share, valuing the company at a little over $1 billion

Peaked above ~$200 billion in value during the 2021 pandemic-era bubble

The stock fell roughly 75–80% in 2021–22 as the bubble burst and rates rose

Processed roughly $378 billion in merchant sales in 2025, over $1.6 trillion cumulatively

Bought logistics firm Deliverr for ~$2.1 billion in 2022, sold it and laid off ~20% of staff in 2023

FY2025 revenue around $11.6 billion, growing roughly 30%

The Moat

Profiting Only When the Merchant Profits

Shopify's genius was to tie its own fortunes directly to the success of its merchants. Beyond subscription software, it made an increasing share of its money from merchant solutions, above all payment processing, taking a small slice of every transaction, so Shopify prospered precisely and only when its merchants prospered, a partner rather than a landlord extracting rent regardless of the tenant's fortunes. As the platform grew it attracted developers building apps and themes, agencies, and payment and shipping partners, all of which made it more valuable to merchants, which attracted more merchants, which attracted more developers, a flywheel. And once a merchant had built its entire business on Shopify, its store, operations, customer data and installed apps, the cost of ripping all of that out and moving elsewhere became prohibitive, the merchant stayed not because it was trapped but because leaving meant rebuilding everything.

The Bubble, the Crash, and the Wrong Turn

A Verdict on the Price, Not the Platform

The 2020 pandemic sent commerce online almost overnight, and Shopify's business exploded, its stock swept up in the broader mania for pandemic-era tech winners to a peak valuing the company above $200 billion, briefly the most valuable company in Canada, on a narrative that the growth was the new permanent baseline. In 2021–22, as the surge reversed and rates rose sharply, the stock was annihilated, falling roughly 75–80% and erasing well over $100 billion of value. In the middle of this, reading the boom as permanent, Shopify made a serious strategic mistake, spending heavily, including a ~$2.1 billion acquisition of the logistics company Deliverr, to compete more directly with Amazon's fulfillment, a betrayal of its own software-platform nature. In 2023 it chose humility: it sold the logistics business, laid off about a fifth of its workforce, and CEO Tobi Lütke called the whole adventure a "side quest," returning the company to its true nature. The crash had been a story about valuation; the wrong turn had been a story about discipline, and the company passed the test by reversing it.

> ***" Knowing what business you are not in is as important as knowing what business you are. "***

The Legendary Scorecard

Category	Score	Notes
Founder Vision	9	Saw that the tooling was the business, and bet on merchant independence against the marketplace
Innovation	9	Built the dominant independent-commerce platform and its developer ecosystem
Execution	8	Largely excellent; the logistics misadventure was a real but corrected stumble
Moat	8	Network effects and switching costs; strong but facing AI-era disruption questions
Capital Allocation	7	The Deliverr error dents the record; the fast, honest reversal partly redeems it

Wealth Creation	**8**	Enormous returns since the 2015 IPO, through a brutal ~75–80% round trip
Durability	**7**	Resilient and profitable, but younger and less battle-tested than the oldest legends
Historical Importance	**8**	Democratised online commerce and enabled a generation of independent merchants
Overall Legendary	**8.0 / 10**	**A genuinely great platform whose crash was a verdict on price, not the business, and whose reversal was a sign of discipline**

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

2004	Tobi Lütke builds his own e-commerce software to run the Snowdevil snowboard store
2006	The founders launch the platform itself as Shopify
2009	Shopify opens an API and App Store, becoming a true platform
2015	Shopify goes public at $17 a share
2020	The pandemic drives an explosion in online selling and the stock soars
2021	Shopify's value peaks above ~$200 billion in the bubble
2022	The bubble bursts, the stock falls ~75–80%; Shopify buys Deliverr for ~$2.1 billion
2023	Shopify reverses course, sells its logistics business, and lays off ~20% of staff
2025	Revenue reaches ~$11.6 billion (up ~30%) on ~$378 billion of merchant sales

Lessons — What This Means for You

THE MOVE · Enable rather than control

Shopify won by giving its customers independence rather than capturing them, aligning its profit completely with theirs rather than trying to own the customer relationship directly. In any ecosystem there is often as much value in being the indispensable supplier of tools to a thousand competitors as in trying to beat them all directly, arm the rebels, and profit whichever rebel wins.

THE MONEY · Separate the quality of a business from the price of its stock

The business was genuinely excellent throughout the 2021–22 crash, and yet an investor who bought at the peak lost three-quarters of their money, because the price already embedded a future too optimistic to be met. The drawdown was a verdict on the valuation, not the company; even a wonderful business can be a terrible investment if bought at the wrong moment.

THE MIND · The courage to reverse a costly, public mistake

Shopify's defining psychological moment was not the crash but the reversal, the founder's willingness to stand up and say, in public, that he had made an expensive mistake and was undoing it. The hardest thing in business is to abandon a course you have committed to publicly, because ego and sunk cost conspire to make you double down; the temperament that wins prizes being right over having been right.

Related Reading

The great marketplace model Shopify built itself in opposition to: Amazon: The 94% Crash and the Cost of Being Right

The same lesson in separating business quality from stock price: Tesla: The Bet That Refused to Die

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Read the Full Story

Read the full company story: Shopify: Arming the Rebels

Sources & Further Reading

Shopify Inc. annual reports and SEC/SEDAR filings

Contemporary reporting on the 2021–23 valuation cycle and the Deliverr divestiture

Greatest Companies (Shopify chapter), The Complete Trader's Edge

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